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MTA AIR

BOOK DISPATCH

DATE

TO : Chiefs of Class A Stations and Base Change to Class. ☐
FROM : Comptroller
SUBJECT: GENERAL - ☐
SPECIFIC - Object Classifications 25 SEP 1978

Document No. ☐
Base Change to Class. ☐
Date: 25 SEP 1978

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ACTION REQUIRED: Revision of Object and Subobject Classifications on Allotment Expenditures Since 1 July 1956

1. Recently several of the field installations suggested that the present object and subobject classifications for classifying allotment expenditures be revised so they would reflect the budgetary data required by Headquarters at the end of each fiscal year, thus obviating the necessity for analyzing each year those expenditures which have been classified as object class 17 in order to compile and furnish the budgetary data in the form requested by Headquarters.

2. As a result of these suggestions, the object and subobject classifications which were prescribed in December 1953 by ☐ Change 1, were reviewed by Headquarters and certain changes were deemed necessary. In order to put these changes into effect now, pending issuance ☐ and thus save the many man-hours work which would be required later to analyze and reclassify the current expenditures, it is requested that effective immediately each Class A field installation use the revised classifications as shown on the attached list on all pertinent documents, records and reports. These changes which are applicable to all expenditures made since 1 July 1974, are as follows:

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a. Classify "contract employees" as subobject class 01.3 instead of 17.1.

b. Classify "indigenous personal services" as 01.6 instead of 17.7.

c. Classify "exchange equalization" as 07.5 instead of 17.5.

d. Classify "representation expenses" as 07.6 instead of 17.4. This 07.6 class includes expenses such as official entertainment (other than operational entertainment), tips, gratuities, reciprocal courtesies, etc., incurred by the Chief of Station or certain other authorized senior personnel for the enhancement of the prestige and interests of our country. See Representation Allowance regulation for further details.

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- e. Classify "rental of safehouses" as subobject class 05.9.
- f. Operational expenditures classified as subobject 17.1 should include only payments, operational gifts and gratuities, to cut-outs, informants, covert associates, field agents and contract agents for services rendered and reimbursement for entertainment, tips, gratuities, telephone calls, transportation, supplies, equipment, quarters and all other costs incurred by them incidental to carrying out their operational assignments. (Operational gifts of supplies or equipment held in stock and previously classified as 08 or 09 shall be treated as operational issues and no adjustment of object classification made. However, supplies or equipment purchased for immediate use as operational gifts should be classified as 17.1).
- g. Classify only miscellaneous operational expenses of a contractual nature as subobject class 17.9. (All other operational expenses incurred by staff employees, staff agents and contract employees, including purchases of supplies and equipment made by them, shall be classified in the regular object classes, i.e., 02, 03, 04, 05, 06, 08, 09, 10 and 15, as appropriate, except that operational entertainment shall still be classified as 17.8 and certain operational gifts and gratuities classified as 17.1 as explained in subparagraph 2f, above.
- h. All expenditures for supplies and materials and equipment, (except 17.1 items) shall be classified as follows:
- (1) Classify as subobject class 08.1 all supplies and materials which are not required to be processed under the Financial Property Accounting procedures.
 - (2) Classify as 08.9 all supplies and materials required to be processed under the Financial Property Accounting procedures. (Applicable only to field installations operating under FPA).
 - (3) Classify as 09.1 all equipment items which are not required to be processed under FPA procedures.
 - (4) Classify as 09.9 all equipment items which are required to be processed under FPA procedures. (Applicable only to field installations operating under FPA).

In other words, classify as 08.9 and 09.9 only expenditures for supplies and equipment which are required to be recorded under the FPA procedures. All other expenditures for supplies and equipment which are not required to be recorded under the FPA procedures shall be classified as 08.1, 09.1, or 17.1, as appropriate.

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3. Although maximum accuracy in the application of subobject classifications is desired, it is recognized that there may be circumstances wherein individual expenditures comprising a part of an accounting are not of sufficient significance to warrant separate classification. Also, there may be circumstances wherein the normal classification would not be a correct reflection of the nature and purpose of a particular expenditure. An obvious example of the first type is found in the usual travel accounting which reflects telephone or telegraph charges; such charges should be classified under object class 02 as part of the overall cost of travel as normally they are not of sufficient significance to warrant separate classification. An example of the second type expenditure may be the procurement of a safehouse facility, such as an apartment or hotel room, by an agent on a short term or "one shot deal" in connection with a particular operation or contact. Ordinarily rental of safehouses will be charged to 05.9; however, in the circumstances cited such rental is only incidental to an operation and should most properly be recognized as an operational expense under 17.1 or 17.9. The 17.1 classification would be considered proper if the rental represented an expenditure by or in direct support of a field agent, cut-out, informant, etc., whereas 17.9 would be proper if the expenditure was by a staff employee or staff agent in connection with short term operational use.

4. It is also requested that each Class A Station submit as soon as possible, a revised "Schedule of Expenses and Obligations" (Schedule E) and also revised Schedules E-1, if necessary, for July (and also for August if already forwarded to Headquarters) reflecting the above mentioned changes. However, adjustment of records from 1 July 1956 to date to reflect changes in sub-object classes should be limited to those expenditures which do not require detailed analysis of accountings, i.e., adjustments should be limited to those subobjects where: (a) complete transfers of groups of expenditures can be effected, as in the cases of "representation expenses" being changed from subobject class 17.4 to 07.6 and "exchange equalization" from 17.5 to 07.5; (b) adjustments can be effected on complete payrolls, such as "contract employees" being changed from 17.1 to 01.3, and "indigenous personal services" from 17.7 to 01.6; or (c) substantial amounts or significant budgetary data are involved and adjustment of object classification can be made without too much difficulty.

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Attachment: Revised Classifications
Distribution: 3 - Field Station

2 - Area Division; 1 - Comptroller
1 - SSA/DDS; 1 - Finance Division *tan*

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